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**FISCAL IMPACT STATEMENT**

**LS 7772**

**BILL NUMBER:** HB 1896

**NOTE PREPARED:** Feb 26, 2003

**BILL AMENDED:** Feb 19, 2003

**SUBJECT:** Local government debt limitation.

**FIRST AUTHOR:** Rep. Dvorak

**FIRST SPONSOR:** Sen. Zakas

**BILL STATUS:** As Passed - House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill increases the percentage of true tax value that limits the amount of debt a political subdivision may issue.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** Changes in the amount of debt issued by a political subdivision do not change the amount of Property Tax Replacement Credit (PTRC) provided by the state.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) The total certified net assessed value (AV) in CY 2002 for the 2,464 Indiana political subdivisions is \$1.197 trillion. This is expected to increase by 44.1% in CY 2003 to \$1.725 trillion. (Taxing unit jurisdictions overlap. The total statewide AV in CY 2002 is \$176 billion.)

The limit on the amount of debt that a political subdivision may incur is 2% of the value of the taxable property within that subdivision. Current law states that the "adjusted value" used for the purpose of determining the limit on the amount of debt a political subdivision may incur is equal to 1/3 the value of taxable property. The total "adjusted value" is \$399 billion in CY 2002 and is expected to be \$574 billion in CY 2003. This bill would change "adjusted value" to be 40% of the value of taxable property. This change would increase the "adjusted value" to an expected total of \$690 billion in CY 2003. The total limit on the debt of political subdivisions in CY 2003 would increase from \$11.5 billion (2% of \$ 574 billion) to \$13.8 billion (2% of \$ 690 billion).

An increase in indebtedness by a political subdivision may lead to an increase in the property tax levy by that political subdivision. Any changes in local revenues or expenditures depend on local action.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:**

**Information Sources:**

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